Understanding Rust Belt Housing Markets

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I seek to understand cities. Where they are and where they're going.

Post-war single-family homes in Chicago. Source: Shutterstock

Two new studies released this week on Rust Belt metro area housing markets, one for Chicago and the other for Detroit, illustrate the unique challenges that face Rust Belt metros. The studies are unrelated and vary widely in their approach, but underscore how strategies specific to their challenges are critical for their futures.

In Chicago, the Chicago Metropolitan Agency for Planning (CMAP), Metropolitan Mayors Caucus, Metropolitan Planning Council and Institute for Housing Studies at DePaul University collaborated to identify the characteristics and geography of housing throughout the seven-county Chicago metro area in northeastern Illinois. Called Regional Housing Solutions, researchers gathered and analyzed census tract data for the Chicago metro area. Researchers focused on data related to housing stock, affordability, market activity and demographics, and group them into eight distinct housing markets, irrespective of their location or proximity to other housing markets. The submarkets, as defined in the study:

- **Submarket 1:** Higher density urban, high foreclosure and vacancy, low income
- **Submarket 2:** Higher density urban and suburban, high foreclosure/moderate vacancy, low/moderate income
- **Submarket 3:** Higher density urban, high income, young, high home prices and rents

- **Submarket 4:** Suburban post-war housing stock, moderate- and middle-income, lower cost stock
- **Submarket 5:** Suburban 1960-79 housing stock, moderate but declining incomes, lower cost stock
- **Submarket 6:** High cost suburban housing stock, low density, high income, aging
- **Submarket 7:** High population growth, newest housing stock
- **Submarket 8:** Suburban 1980-99 housing stock, high/middle income, suburban, aging

What's interesting is that the researchers were able to use the data to develop detailed housing profiles, and housing preliminary housing strategies, for every community within the seven counties studied -- 284 in all, including Chicago. The profiles illustrate that because of factors like housing age, housing quality, demographics, and the socio-demographic factors of its residents, communities can have complex mixes of submarkets within their boundaries -- the bigger the city, the more complex. Chicago's is quite revealing. Although it's unclear whether the housing profiles delineate the percentage of land area devoted to each submarket, or the percentage of actual housing units in the city, it's unmistakable that the analysts show that half (49%) of Chicago belongs in two low-income submarkets -- submarkets 1 and 2, both known for low values, high numbers of foreclosures and vacancies, and low income residents. Another 28% of the city belongs in submarkets 4 and 5, mostly 1945-1979 middle income housing initially built to appeal to manufacturing workers. Analysts found that only 13% of Chicago's land area/housing stock was high density urban with young, high income residents, and another 5% of either high cost, low density suburban-type housing stock or other recent high-growth housing stock.

Obviously there's no data for other metro areas for comparison, but this profile shows a Chicago that is quite different from the high-priced markets on the coasts. Unlike, say, New York or Washington, high density urban housing, despite its flaws and challenges, is available. Unlike Silicon Valley, moderate density urban/suburban housing stock is still affordable. Chicago's challenges lie in stimulating moribund housing markets, not in building more homes.

Anyone interested in the composition of the Chicago housing market would be interested in this great piece of research.

For the Detroit metro area, the Urban Institute took a broader look at a regional housing market, but reached similar conclusions. Their report, entitled Southeast Michigan Housing Futures, identified three broad challenges facing the metro Detroit housing market: 1) the aging of the population, with senior-headed households expected to double between 2010 and 2040; 2) the drop in African-American homeownership in the region, because of exposure to the foreclosure crisis; and 3) the growing demand for rental housing in a region that has long maintained a strong single-family home orientation. Overall, however, housing in metro Detroit is affordable because of one confounding factor -- the region has an *excess supply* of housing. From the report:

> *"As George Galster (2012) termed it, the Detroit region has suffered from a “housing disassembly line” that for decades has produced more new housing in suburban and exurban locations than household growth would warrant. Excess supply accelerates the depreciation of the older housing concentrated in Detroit, satellite cities, and inner suburbs, fostering shifts of owner-occupied homes to rentals and hastening vacancy and abandonment in these older, mostly African American cities."*

Put another way, during the rapid growth of suburbia in the decades following World War II, municipalities and developers were incentivized to build far more homes than were warranted, in the places where demand was greatest. And the poverty and abandonment in the places left behind accelerated as a result.

Chicago and Detroit both suffer from large areas that have long legacies of disinvestment, suffer from negative perceptions that hinder redevelopment opportunities, and housing styles and sizes that don't always match contemporary demand. Attention in both cities tends to focus on the needs of the slice of each city's demographic that's most similar to the one driving housing discussions on the east and west coasts. That's wrong. Both cities, and far more in the Rust Belt and elsewhere, would do well to address the concerns inherent to the housing markets they have, rather than the housing markets they wish to have.

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